
A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

Benefits at Termination of Employment Through Resignation, Dismissal, or Layoff

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

If you terminate employment, you need to make many important benefits decisions. Determining what to do about your pension account, health benefits and life insurance are some of those decisions. If you participate in a voluntary program, such as the New Jersey State Employees Deferred Compensation Plan and/or the Supplemental Annuity Collective Trust (SACT) Program, you will have decisions to make regarding those investments.

PENSION ACCOUNT

When your employment ends, you have several options for your pension account. You may, if eligible:

- retire now,
- file for a Deferred Retirement,
- leave your contributions in the retirement system, or
- withdraw your pension contributions.

To retire now, you must be *either* at least age 60 with no minimum amount of service credit or have at least 25 years of service credit with no minimum age requirement. Your retirement allowance is based on the formula for the type of retirement for which you qualify.

If you are leaving work due to poor health and you have 10 years of service credit in New Jersey, you may qualify for an Ordinary Disability retirement.

If you have 10 years of service credit, you may elect a Deferred Retirement. Your retirement allowance will begin the first of the month following your sixtieth birthday.

If you do not qualify for immediate or deferred retirement, you may leave your contributions in the pension system. Most accounts may remain inactive for a 2 year period, however, if you lose your job through no fault of your own (layoff, abolishment,

reduction-in-force) you may request to extend the period of inactivity for up to 10 years.

Note: This extension **only** gives you the right to resume contributing to the retirement system under the same membership should you again obtain public employment. It gives you no other right to retirement benefits. (For example: You have less than 10 years of membership credit and while your extension is in effect you reach age 60, but it is over two years since your last pension contribution; therefore, you do not qualify for a retirement benefit. To become eligible for retirement you would have to return to public employment, contribute to the pension system, and meet all other qualifications to obtain a retirement allowance.)

Finally, you always have the option to withdraw your contributions. If you have at least 3 years of credited service, in addition to the return of your contributions, you will receive a minimal amount of interest.

HEALTH BENEFITS

When you terminate employment, federal COBRA regulations require your employer to offer an **18-month continuation** of any or all of the health, dental, prescription and vision coverage you had as an active employee. For loss of coverage due to termination of employment, reduction of hours, or leave of absence, the employee and/or dependents are entitled to 18 months of COBRA coverage. Time on leave of absence just before enrollment in COBRA counts towards the 18-month period and will be subtracted from the 18 months. You may elect to continue any or all of these coverages. You would pay group rate plus a two percent administrative fee for the extended coverage. Your Human Resource/Personnel office should provide you with a COBRA package.

If you are *either currently in or eligible for* the State Health Benefits Program (SHBP) and file for retirement, you will be sent a letter offering **lifetime con-**

tinuation of health coverage under the retiree group (this does **NOT** include a deferred retirement unless you are a TPAF member or a PERS member employed by a board of education or county college with 25 years or more of service credit in the pension plan). This offering does not include dental or vision coverages, which can only be continued under COBRA. If you are not eligible for the SHBP, contact your Human Resource/Personnel office regarding health benefit coverage at retirement.

GROUP LIFE INSURANCE

Most employees have group life insurance coverage through the pension plan while employed. That coverage reduces at retirement or terminates completely if you have less than 10 years of service credit (except for accidental disability retirement). If you are not retiring, your life insurance ends 31 days after you terminate employment. If you apply for a Deferred Retirement, your life insurance ends 31 days after your termination from employment and reinstates, at the decreased retired amount, upon your effective retirement.

The Prudential Insurance Company of America underwrites the pension plans' group life insurance. You may buy non-group life insurance to replace the group insurance lost by contacting a Prudential agent or by calling Prudential at 1-800-262-1112 within 30 days of your termination. By converting from a group policy to a non-group policy with Prudential, you cannot be denied coverage for health reasons.

DEFERRED COMPENSATION

If you are enrolled in the New Jersey State Employees Deferred Compensation Plan and terminate employment, you must make decisions regarding your account. Your options depend on the conditions of your termination.

You can contact the Deferred Compensation Plan of the Division of Pensions and Benefits in writing or call (609) 292-3605. The Deferred Compensation office will answer any questions, forward personal account information and furnish you with any necessary forms. Because there are federal tax implications, you must make a determination regarding your account within 60 days of terminating employment.

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

If you are a member of the SACT program, your options at termination of employment are contingent upon the treatment of your regular pension account.

You can contact the SACT Office of the Division of Pensions and Benefits in writing or call (609) 633-2031. The SACT office will answer any questions, forward personal account information and furnish you with any necessary forms. Your necessary paperwork should be filed as early as possible since your account does not participate in the Trust after the close of the month in which you cease to be a member of the pension system.

OTHER PENSION ACCOUNT CONSIDERATIONS

Loans

If you terminate employment and choose to **retire** with an outstanding loan balance, you must indicate on your retirement application how you wish to repay your loan balance. Under the provisions of Chapter 132, P. L. 1999, you may:

- pay the loan **in its entirety** prior to receiving any benefits; or
- continue your monthly loan repayment schedule into retirement until the loan balance **plus interest** has been repaid.

If you **withdraw** your pension contributions, the outstanding loan balance is calculated and deducted from the amount payable to you.

If your pension account remains in an **inactive status**, your loan continues to accrue interest. You will be notified after nonpayment (zero contributions) toward the balance of your outstanding loan and offered the following choices:

- Lump sum payment of the balance and interest;
- Repayment of the loan through monthly installments through personal billing;
- Taking a taxable distribution to be reported to the IRS;
- Return to employment and pay through payroll deductions. If you return to employment, the

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loan is recalculated and a certification is issued to begin the new payment schedule.

Purchase

If you retire with an outstanding balance on your purchase of service credit, you have two options from which to choose. First, you could remit a check for the balance of the purchase and receive the credit for the purchased time. Second, you can receive pro-rated retirement credit for the amount of time purchased prior to termination.

If you are paying for a purchase through payroll deductions and you terminate employment, do not withdraw your contributions to the pension plan, then return to a position with another employer covered by the same pension plan within two years, the new employer will be sent a certification to restart deductions for the purchase. If you return to the same employer, deductions should automatically resume.

However, if you have been off the payroll for more than two years (other than for a leave of absence), the remainder of the purchase will be cancelled and you will receive pro rata credit for the service purchased to the date that the purchase deductions ceased. Before the purchase is cancelled, you will be given a chance to pay the remaining balance in a lump sum to receive full service credit.

ADDITIONAL INFORMATION AVAILABLE

If you have questions about any of the topics described above, contact your benefits administrator where you work or call the Division of Pensions and Benefits' Office of Client Services at (609) 292-7524.

The Fact Sheets listed below are available upon request from our Office of Client Services or view them on our Web site at: www.state.nj.us/treasury/pensions/pubslst.htm

- Fact Sheet #4, *Applying For Retirement (PERS & TPAF)*
- Fact Sheet #5, *Pension Options (PERS & TPAF)*
- Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*
- Fact Sheet #13, *Conversion of Life Insurance (PERS, TPAF & PFRS)*
- Fact Sheet #14, *Deferred Retirement (PERS, TPAF & PFRS)*
- Fact Sheet #15, *Disability Retirement Benefits (PERS & TPAF)*
- Fact Sheet #26, *Health Benefits Options Upon Termination of Employment*
- Fact Sheet #27, *The Taxability and Mandatory Withholding of Income Tax from Your Pension Distribution*
- Fact Sheet #30, *The Continuation of New Jersey State Health Benefits Group Health Insurance Under COBRA*

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